

The University of Chicago

THE PUBLIC MATÉRIEL PROBLEM
IN THE CHICAGO REGION

A PART OF A DISSERTATION SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE
SOCIAL SCIENCES IN CANDIDACY FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF POLITICAL SCIENCE

1935

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The matériel problem is the general question of how best to provide public officials with those materials which are essential to the attainment of the ends of government. This is a study of current methods of solving the matériel problem among a large number of governments lying within a radius of sixty miles of the intersection of State and Madison Streets in the City of Chicago. The units of government studied range vertically from the townships through the villages, cities, school districts, special districts, counties, the state, to the federal government. Attention has been given to the relationships, actual and potential, between the governments studied. A special investigation of co-operative purchasing here and abroad has been included.

Most of the data on which the study is based were collected during the years 1930 to 1933. During this period the governments studied were in the grip of a severe economic depression, some of the results of which are evident in the phenomena described.

The study has several limits. It does not deal with construction contracts, but with matériel in connection with operation and maintenance. Because this is a study in public administration, little emphasis has been placed upon graft, which more properly belongs to a study in politics.

Within the Chicago region, as defined, lie no less than 1,642 independent governments, all of which face the matériel problem. The sample on which this study is based includes the 31 municipalities in the region having a population of over 10,000 in 1930, five counties in Illinois and three in Indiana, the Illinois state system and five of its larger institutions in the Chicago area, the four large park boards in Cook County, the Chicago Sanitary District, the Illinois Emergency Relief Commission, and some aspects of the matériel problem of the federal government offices in Chicago.

Since this is a realistic functional study, the principal methodological technique employed was that of investigations in the field. It is estimated that upwards of 200 interviews were conducted.

The Matériel Problem and the Chicago Region

The matériel problem concerns itself with four general categories of commodities: supplies, materials, equipment, and contractual services. Supplies embraces commodities consumed in use in a fairly short time, generally considered two years. This includes fuel, food, drugs, stationery, and the like. Materials includes goods which enter into the make-up of some larger piece of work, such as cement and lumber. Equipment, such as machinery and furniture, ordinarily has a useful life in excess of two years. Contractual services comprises the furnishing of such essentials as water, electricity, and mail service.

Such a classification is dangerous because of its simplicity. In fact, commodities purchased by governments are notable chiefly for their multiformity and multiplicity. Alphabetically, they range from apricots and axes to yeast and zinc. In size they range from pins and pills to fire trucks or airplanes. The amount spent annually for matériel by governments is estimated to be from 20 per cent to 30 per cent of its current operating budget.

Because of a lack of records, it is not possible to say exactly how much is spent for matériel in a year by the governments in the Chicago region. The data developed by this study indicate, however, that in a twelve-months' period in the years 1930-1933 the governments of the Chicago region in our sample spent approximately \$65,000,000. Fully 95 per cent of this amount was spent by the governments lying within Cook County, Illinois. Of this \$62,000,000 disbursed by Cook County governments \$44,000,000, or 71 per cent, went for food, fuel, and clothing under the authority of the Illinois Emergency Relief Commission.

This estimate may be roughly checked from unpublished data collected by Dr. Jens Jensen in 1931 and 1932 on the cost of government in Cook County. The grand total annually disbursed by the governments of Cook County was \$381,289,152. From this was deducted \$17,715,749 in interest, \$132,902,563 in outlays, and \$9,608,625 for special assessments. This left a disbursement for operating of \$221,062,215. Twenty per cent of this sum is \$44,212,443, and 30 per cent of it is \$66,318,664. There appears to be substantial agreement between the figures estimated in this study and those derived from Professor Jensen's study.

Organization for public purchasing by the governments of the Chicago region is no exception to the general degree of diversity and disintegration characteristic of governments in this area.

In our sample of the jurisdictions in the Chicago area there were at least 202 offices dealing with purchasing, and over 373 persons doing the buying. These figures do not include the purchasing of the townships or the federal government offices in the region. On the basis of the sample analyzed one might expect to find on the average, five offices doing purchasing in each of the counties, two in each of the special districts in the region. This yields an estimate of 2,728 governmental offices concerned with the purchasing in the Chicago region.

Not all of these persons, of course, could be dignified with the title of purchasing agent. Most of them merely bought, without reference to the nicer implications of scientific purchasing.

In 1931 the City of Chicago had thirteen separate offices concerned with purchasing. They were the Department of Supplies, The Bureau of Engineering and the Bureau of Streets in the Department of Public Works, the Department of Gas and Electricity, the Fire Department, the Departments of Police and Health, the Office of the City Clerk, the House of Correction, the Public Library, the Municipal Tuberculosis Sanitarium, the Board of Election Commissioners, and the Municipal Court. Of these the principal was the Department of supplies, which spent over \$3,000,000 for matériel in 1930. The total amount spent by all of these offices approximated \$8,395,000.

The purchasing of these several offices was done by twenty-five persons working full time and twelve persons employed part time. The annual cost to the City of Chicago in salaries for the personnel engaged in this work was \$76,544. Most of these persons were fairly well acquainted with the rudiments of good purchasing; some were exceptionally well qualified. The great majority, however, had no purchasing experience prior to entering the public service. It is significant that none of them were members of the professional organization in their field, the National Association of Purchasing Agents, which has a section composed of those engaged in governmental purchasing. The purchasing of the Chicago School Board was divided between a Purchasing Agent and the Chief Engineer.

The cities and towns in the Chicago region have availed themselves of a wide range of possibilities in their freedom to devise purchasing organizations. Four cities (Gary, Oak Park, Evanston, and Brookfield) lodge the power to purchase in the Department of Public Works. The city or town clerk is the purchasing agent in five municipalities (Cicero, Harvey, Forest Park, Elmwood Park, and Park Ridge). Varying with the terminology in use, the Department of Finance, Controller or Accountant does the

purchasing for seven cities (Kenosha, Berwyn, Winnetka, Whiting, Hammond, Blue Island, and Melrose Park). The chief executive, be he Mayor or Manager, does the buying for five cities (East Chicago, Chicago Heights, Waukegan, Wilmette, and Highland Park). Five council committees perform this function in Calumet City. Several of the above-mentioned cities actually have decentralized purchasing, although all purchase orders emanate from one office. Finally, there is open and complete decentralization of the purchasing function in six cities (Elgin, Michigan City, Maywood, La Porte, Elmhurst, and La Grange).

The purchasing of the Lincoln Park Board, the South Park Board, the Cook County Forest Preserve District, and that of the Chicago Sanitary District was in each case performed by one officer, usually termed the purchasing agent. The purchasing of the Illinois Emergency Relief Commission was done by the assistant to the chairman of the Commission.

Information on the purchasing of townships in the Chicago Region was obtained from an unpublished study of Mr. Paul E. Malone of the Department of Economics of the University of Chicago. In 1931 the 158 townships in the region spent \$1,021,896, or 21 per cent of their budget, for matériel, chiefly for roads and schools. The principal purchasing officials were the township trustees, the road commissioner, and the town clerk.

The purchasing of Cook County, Illinois, estimated to be \$4,000,000 per year, was centralized in the office of the Superintendent of Public Service of the County. The purchasing of other counties in the region was shared by from two to perhaps twenty offices and institutions in each county.

The Department of Purchases and Construction does most of the purchasing for the State of Illinois, the Department of Public Works and Buildings purchasing in connection with State Highways. The business managers of the State's institutions are permitted to purchase certain types of matériel to a very limited degree, subject to the control of the Department of Purchase and Construction.

The federal government offices in the region enjoy the benefits of centralized purchasing to the extent that they may purchase in Chicago certain items listed in the "General Schedule of Supplies," which is designed primarily for the federal agencies located in or near Washington, D. C. For most commodities, however, the departmental officers in Washington authorize their field agencies to purchase locally. In this regard the offices of each department act independently.

Summarizing, it is seen that while there is great variety in organization for public purchasing, most of it exists without

regard to the integration of the purchasing function. In many cases purchasing is done by elected officials not qualified for such activity either by training or experience. Above all, the material needs of the government of over 5,000,000 persons is met by a bewildering array of organizations and officials.

Purchasing Procedure in the Governments of the Chicago Region

The purchasing procedure of the governments in the region is fully as diverse as the structure of the purchasing organization.

Public budgeting in the Chicago region is so poorly developed that a far-sighted buying program is difficult. In most jurisdictions the purchasing agent bought in small quantities at the request of the line agencies.

With a few outstanding exceptions, the purchasing agent assumed the rôle of a ministerial officer, purchasing everything requested of him. In recent years, and largely because of a straitened financial situation resulting from the depression, more control has been exerted over proposed purchases. Frequently the chief executive or the financial officer must be consulted on proposed purchases of twenty dollars or more.

Of thirty-eight municipalities, fourteen did not use a requisition form by which the line agencies could request the purchasing agent to secure needed matériel. Indeed the City of Elgin, with a population of 35,000, had no purchasing forms of any description. On the other hand, in 1931, the field agencies of the City of Chicago made use of a form entitled "Request for a Requisition." This was used by the foremen of groups in the field to notify their department offices of their needs and request them to send a requisition to the purchasing office.

Splitting orders so that the amount of each was less than \$500 in order to avoid advertising for bids was a common practice in the Chicago region. As a single illustration, it may be said that in 1930 the Chicago House of Correction purchased coal valued at \$50,800. It did not enter into an annual contract for this coal, but instead 282 purchase orders were issued to no less than nine different dealers. In the month of March, 1930, coal screenings were bought from five companies at five different prices. It is difficult to justify this policy.

In the great bulk of the jurisdictions in the region competition on purchases was meager. This was due, in most instances, to faulty purchasing technique. The ordinances of the City of Chicago provide that a minimum of three bids shall be secured whenever possible. On most Chicago purchases this minimum limit has

been used as a maximum limit. It is rare to find more than four vendors bidding, and an analysis of a sample of the purchases revealed that the average number of vendors solicited by the Department of Supplies was two! Such a finding is astounding in view of the fact that Chicago is a national center for distributors. Other jurisdictions in the Chicago region reveal similar conditions. The chief exceptions were the Bureau of Engineering of the Chicago Department of Public Works and the State of Illinois. A large number of the smaller governments in the area restricted competition to local vendors.

The techniques for securing competition were extremely limited, telephonic requests for bids being the most common one in use. Only ten jurisdictions made use of a printed form usually called an "Invitation to Bid."

Standardization of commodities and the preparation of specifications to cover them are unheard of in the bulk of the jurisdictions surveyed. In 1931 the City of Chicago used 157 different styles and varieties of payroll forms.

Thirty-one of the jurisdictions studied made no special effort to secure discounts from vendors. Eight jurisdictions asked that discounts be quoted when bids were solicited.

One of the principal merits of a centralized purchasing system is that it affords a process for the pooling of the orders of the various departments into a bulk order, yielding the economies of wholesale prices. Most of the governmental purchasing offices in the Chicago region did not pool requirements, but bought in small quantities, as would be done under a decentralized system. In 1930 the Chicago Department of Supplies issued 46,145 purchase orders for an average purchase per order of \$66.91. Compare this with the State of Illinois Division of Purchases, which in 1931 issued 46,293 purchase orders, but with an average purchase order of \$618.81, or about ten times as much as the average purchase of Chicago.

In many jurisdictions the issuance of "confirming orders" to confirm the purchase of goods already delivered has been overdone, notably in Berwyn, the West Park Board, Waukegan, Aurora, and Hammond, Indiana.

Such a large and important jurisdiction as the City of Chicago did not use an encumbrance ledger to assure payment for contracts entered into but not completed.

There was a lack of proper receiving technique in many jurisdictions in the region. This was particularly true of the coal purchases of the Chicago School Board in 1932 and 1933. The Board paid vendors on their statements of the tonnage delivered, without question. In this same period the Illinois Emergency

Relief Commission cancelled seven coal contracts because the fuel was not up to the standards specified in the contracts. Of all the governments in the region surveyed, but thirteen reported that tests were made of the commodities received.

In but five of the jurisdictions studied (Chicago, Oak Park, Winnetka, Kenosha, and the South Park Board) was the information on the purchase order transferred to filing cards so as to compose a purchase record. Such a file enables a purchasing agent to know the needs of his government and perhaps buy in anticipation of need when a favorable opportunity presents itself. It is from such a record that much of the material is obtained which should appear in the annual report on purchasing. Small wonder it is that only six of the jurisdictions studied, the Chicago Department of Supplies, the Bureau of Engineering of the Chicago Department of Public Works, Gary, Oak Park, Kenosha, and the State of Illinois, issued an annual report on purchasing.

It is evident from the foregoing that purchasing procedure among most of the governments in the region falls far short of the norms of good purchasing procedure. The logical outcome of the defective and deficient purchasing technique just described is well exemplified in the price situation, some phases of which will be discussed next.

Purchasing and Prices

Before attempting to compare the prices paid by different jurisdictions, several limitations should be pointed out. Costs for the "same" commodity may well vary because of differences in quality, delivery costs, and the state of the market. Furthermore, it may be unjust to blame a purchasing agent for higher prices resulting from small-quantity purchasing over which he has no control, or because of a government's poor credit status. These considerations limit the commodities that are, strictly speaking, comparable as to price. The following seem to lie within the requirements set up.

Available evidence indicates that, in 1930, the Chicago House of Correction bought coal without competition. So far as is known, no specifications, written or unwritten, were used. The records of the institution revealed, however, that during March, 1930, alone, coal screenings were bought from five different companies at the following prices per ton: \$3.25, \$3.35, \$3.40, \$3.45, and \$3.50, delivered in carload lots.

Gasoline was purchased in 1930 by five City of Chicago agencies. The House of Correction bought approximately 32,000 gallons at an average price of 16.33¢ per gallon. The Municipal Tuberculosis Sanitarium, although buying less than 24,000 gallons in the same period, paid 2¢ per gallon less than the House of Correction,

or an average price of 14.33¢ per gallon. The Department of Supplies, the largest gasoline buyer, with total purchases of almost 2,000,000 gallons in 1930, paid the lowest price, an average of 13.81¢ per gallon in tank-wagon deliveries and 11.7¢ per gallon in tank-car deliveries. This indicates that the City of Chicago would have saved a total of \$49,600 if the other four agencies had purchased in tank-car lots on the contract of the Department of Supplies, and probably more had the requirements of these five agencies been consolidated into a bulk contract.

Let us look at the prices paid for cement in 1930 by five buying agencies in the City of Chicago in the following table:

TABLE I
PRICES PAID FOR CEMENT
1930

Buying Agency	Number of Barrels	Price per Barrel
Bureau of Engineering, Dept. of Public Works	55,963	\$1.98
Bureau of Streets, Dept. of Public Works	6,675	1.99
Department of Supplies	5,963	2.22
Department of Gas and Electricity . .	4,884	2.13
House of Correction	1,005	2.51

The Engineering News Record reports that the average price of cement in 1930 was \$1.93 per barrel, F.O.B. factory, in the Chicago region, which would indicate that the contract price of \$1.98 per barrel paid by the Bureau of Engineering was satisfactory.

The price of \$2.51 per barrel paid by the House of Correction, and \$2.22 paid by the Department of Supplies on 157 different purchase orders for cement, illustrate perfectly the loss to the city through small-quantity buying and the failure to pool the requirements of all the consuming branches into bulk orders.

Crushed stone is another item upon which widely varying prices were paid in 1930. The Superintendent of Public Service of Cook County reported paying \$1.89 per cubic yard for crushed stone, while the Bureau of Streets of the Chicago Department of Public Works paid an average price of \$1.30 per cubic yard, and the Chicago Department of Supplies paid an average price of \$1.57 per cubic yard.

Table II, below, indicates the average prices paid for various types of sand by several jurisdictions of the City of Chicago:

TABLE II
AVERAGE PRICES PAID FOR SAND BY
DIVISIONS OF THE CITY OF CHICAGO
1930

Jurisdiction	Asphalt Sand	Lake Sand	Torpedo Sand
Bur. of Streets	\$1.23 cu. yd.		\$1.54 cu. yd.
Bur. of Engineering		\$1.53 cu. yd.	
Dept. of Supplies	1.32 cu. yd.	1.62 cu. yd.	1.98 cu. yd.
House of Correction		2.11 cu. yd.	2.10 cu. yd.

Coal, the commodity for which most governments in the region spend more than for any other single item, presents a very difficult problem for the government purchasing agent. There are five general methods used in its purchase.

The easiest method is to buy coal by size, that is, screenings, or six-inch lump, etc. Another method is to buy by trade name, such as Pocahontas Mine Run, or Franklin County. A third method is to buy coal from a certain seam. The characteristics of coal from the various mines and seams is set out in the Keystone Blue Book. The purchasing agent then checks the bills of lading for the point of shipment. A fourth method is to buy coal on heat analysis, the fuel being subject to test on delivery. This analysis gives the British Thermal Units per pound, and the moisture, ash, and sulphur content. A fifth method, and doubtless the best in many cases, is to purchase coal on the basis of its cost per 1,000 pounds of steam in a specified use. All of these methods are used by governments in the Chicago region.

Any analysis of the various prices paid for coal by the various governments is a very complex matter. It is complicated by freight rates, conditions of receipt and testing, delivery charges, the varying specifications set up for the coal, and in addition the general conditions commented upon as a preface to this discussion of prices. For instance, most Illinois cities buy Illinois coal shipped by rail. Kenosha, Wisconsin, uses Pennsylvania coal shipped by boat.

Table III (p. 10) gives data on the coal purchases of the City of Chicago for 1930. Most of the smaller cities in the Chicago region buy coal from local dealers without specifications or adequate control of deliveries. Without objective data on what

is purchased, the prices paid are meaningless. It is felt that many of these cities could receive a better product at a lower price if they improved their purchasing technique.

TABLE III
CITY OF CHICAGO - COAL PURCHASES, SCREENINGS - 1930

Purchasing Agency	Quantity Purchased	Average Price Paid	Total Amount of Purchases
Bur. of Engineering	143, 398 tons (12,000 B.T.U. 14% ash, 12% moisture. Delivered by rail.)	\$2.79 per ton	\$399,626.84
	25,272 tons (12,750 B.T.U. 9% ash, 9% moisture. De- livered by rail.)	3.12 per ton	78,709.91
	13,082 tons (12,750 B.T.U. 9% ash, 9% moisture. De- livered by truck.)	3.84 per ton	50,279.66
House of Correction	14,965 tons (Delivered by rail.)	3.40 per ton	50,812.51
Municipal Tubercu- losis Sanitarium	6,715 tons (Delivered by truck.)	4.06 per ton (Truck deliv- ery costs, 50¢ per ton.)	27,266.72
Public Library	1,443 tons (14,923 B.T.U. 5.8% ash, 1.5% moisture. Poca- hontas. De- livered by truck.)	\$5.27 per ton	\$ 7,610.44

An interesting purchasing problem is raised by certain commodities which are sold according to "list price" which is

uniform throughout the nation. Can the governmental purchasing agent secure competitive prices on such commodities?

Let us first look at tires, as an example of such a commodity. To be sure, there are many "sales" at which low prices are asked, but the governmental purchasing agent doubts the quality of such tires, and almost uniformly buys only the first quality.

How can a first-quality tire, sold at "list price," which is generally the same for all reputable tire manufacturers, be made the subject of competitive prices? It is easily and constantly done through the medium of discounts, which are generally quoted as "two tens," "three tens," etc. This means that the list price is discounted ten per cent and that price discounted another ten per cent, up to the number of tens quoted.

It is customary for the leading tire manufacturers to allow governments a discount of two tens (19 per cent) at all times. When a tire "war" is raging the discounts sometimes amount to half the "list price." Every governmental purchasing agent worthy of the name should follow the market closely in order to take advantage of exceptional prices.

Let us examine the tire purchases of Chicago's Department of Supplies. Analysis of the purchase of tires for the five months following April 1, 1931, showed that five different tire manufacturers quoted the same list prices for tires, that four of them offered 19 per cent discount from list (two tens), while the fifth offered a discount of 25 per cent. One would normally expect that the business would be given to the manufacturer offering the lowest price. The records show, however, that out of 185 tire purchases only forty were given to the vendor offering the lowest price.

Moreover, in the spring of 1931 a tire "war" was raging. While Chicago purchased tires at a discount of two tens, private businesses in Chicago were buying tires in small quantities at a discount of four tens (34 per cent) and, in some cases, six tens (46 per cent) from the list price!

In the spring of 1933 another tire "war" broke out, and the tire dealers offered the more intelligent governmental purchasing agents, without any haggling, a discount of eight tens from list. This meant that governments could buy tires at 44 per cent of the list price. Despite this attractive bargain Cicero and Calumet City bought tires at the list price. Hammond bought at five tens, and Aurora at six tens, while Gary, Oak Park, Kenosha, and Le Grange bought at a discount of eight tens. One government in the region buys tires on a yearly contract at a discount of five tens off the list price, but it bought at a discount of eight tens during the "war."

Finally, we shall deal with one of the most interesting price studies in the whole range of commodities purchased by government. If there is any commodity which, by price analysis alone, shows the advantage of a metropolitan solution to the matériel problem, it is that of electric lamps.

The common electric lamp bulb is used in great quantities by governments, not alone to light government buildings, but also for street lighting purposes. The manufacture of high-grade lamps is limited because of patent rights. These lamps are sold at a list price through a limited number of vendors. Unless a government desires to buy an inferior lamp it is limited in its source of supply. These lamps are sold at standard discount rates, which vary according to the amount purchased annually, as is shown in Table IV.

TABLE IV
STANDARD DISCOUNT RATES
FOR ELECTRIC LAMPS
1933

Amount Purchased Annually	Discount	
	Standard Package	Broken Package
\$ 150.00	20%	10%
300.00	23	13
600.00	25	15
1,200.00	27	17
2,500.00	29	19
5,000.00	31	21
10,000.00	33	23
20,000.00	34	24
30,000.00	35	25
50,000.00	36	26
100,000.00	37	27
150,000.00	38	28
225,000.00	39	29
\$300,000.00	40%	30%

The City of Chicago spends at least \$150,000 annually in the purchase of electric lamps, receiving a discount of 38 per cent on the purchase. So far as is known, no other government in the region secures the maximum discount. Table V indicates the discount received by several of the governments studied.

TABLE V
DISCOUNTS RECEIVED ON PURCHASE OF ELECTRIC LAMPS BY
VARIOUS GOVERNMENTS IN THE CHICAGO REGION, 1932

Government	Discount Received on Purchase of Electric Lamps Standard Package
Cook County	.31%
Lincoln Park Board	.31
West Park Board.	.15
South Park Board	.33
Chicago Board of Education	.33
Chicago Sanitary District.	.15
State of Illinois	.34
Oak Park	.31
Aurora	.27
Winnetka	31%

Reference to the table of discounts allowed shows that the several governments operating in Chicago could save from 6 per cent to 23 per cent of the purchase price if they would pool their needs with those of the City of Chicago and buy collectively. The saving would be greatest for the smaller governments in the region. They could save from 20 per cent to at least 38 per cent of the cost of their electric lamps through a metropolitan solution to the public matériel problem.

It is interesting to note that at some time in the past--exactly when, no one seems to know--the Chicago Board of Education placed its electric lamp contract with the same firm which was supplying the city. They persuaded the officials of this firm to give the School Board the same discount on lamps that the city obtained, since "the School Board was really part of the city government."

Why this should not have been done annually certainly cannot be answered on any reasoning of efficiency and economy. It is pointed out that the Chicago School Board placed an annual contract for \$15,000 worth of electric lamps in 1933. This means a discount of 33 per cent, or 5 per cent less than the discount received by the City of Chicago. Assuming that the School Board bought \$15,000 worth of lamps during that year, they would have wasted \$750 of tax money because of their failure to co-operate with the City of Chicago. This situation cannot be explained on the basis of political rivalry between the two jurisdictions, for at the

present writing they are of the same party and faction.

The wastage of governmental funds indicated in this brief survey of prices results from (1) faulty purchasing technique, (2) inadequate personnel, and (3) a lack of co-operation between the several governments which operate, presumably, to serve the citizens of the Chicago region.

Other Methods of Acquisition

It would be a mistake to assume that all governmental matériel is purchased in the market-place. Although purchasing is the most important method of acquisition, many governments in the Chicago region receive materials, supplies, and equipment through rental, gifts, loan, condemnation, and by having public employees furnish their own matériel.

It is difficult to obtain a quantitative measurement of the importance of these various methods of securing matériel, because the information is fugitive and is not usually the subject of a written record.

Rental is a method of acquisition customarily used only in emergencies, with the outstanding exception of statistical machines, which may be secured by rental only.

Gifts have been a very important method of acquisition for some governments in the region. Gary has received much matériel as a gift from the United States Steel Company. A manufacturer-philanthropist of La Porte, Indiana, gave the city a new, completely equipped civic auditorium capable of seating 3,600 persons and costing approximately \$450,000. Kenosha, Melrose Park, Calumet City, and the Forest Preserve District receive cinders free of charge, although other jurisdictions purchase their cinders. In the Fox River Valley, the cities of Aurora and Elgin have received recreation equipment as a gift from local civic groups. It is customary for libraries to receive books, and zoos to receive animals, as gifts.

Skilled laborers usually furnish their own tools, and peace officers, with minor exceptions, furnish their own uniforms, weapons, and ammunition.

Inter-governmental loans of equipment are so rare as to be, practically speaking, non-existent.

The federal government agencies in Chicago profited more than any other government in securing matériel through condemnation. Condemned alcohol was used for automobile anti-freeze, and sugar was used by the Veterans' Bureau and the Indian Administration.

Storage of Matériel in the Chicago Region

The storage of matériel is one of the most important phases of the matériel problem. Storage is necessary for certain types of matériel which must be kept on hand for use in an emergency.

Again, some vendors will not take a large government order with deliveries to be made as the need arises. This is true particularly when prices are fluctuating because of a trade war or because of variations in the cost of production. Even if a long-term contract is in force, with deliveries being made as the commodity is required, an order for delivery nearly always anticipates the need for the immediate future and, hence, a considerable portion of the commodities delivered must be stored temporarily. It is thus seen that storage assumes a large and important rôle for the matériel officer.

Of the cities of over 10,000 population in the Chicago metropolitan region but three make any pretense of a well-managed and efficiently controlled storage system. These municipalities are Chicago, Gary, and Kenosha. The remaining municipalities either have no central storehouse carrying an inventory of over \$1,000, or their stores are divided among the various departments of the city government with little or no integrated control over them. The survey of Chicago's purchasing system made in the summer of 1931 revealed an astounding number of storehouses and stockrooms. The Department of Gas and Electricity had three stockrooms with a total inventory in excess of \$350,000. The Department of Public Works, Bureau of Engineering, had a number of pipe-yards and warehouses with an inventory running in excess of \$450,000. The Department of Public Works, Bureau of Streets, had in its asphalt plants and other storehouses an inventory running in excess of \$190,000, and the storehouses of the Bureau of City Hall, Bureau of Rivers and Harbors, Bureau of Maps and Plats, Bureau of Sewers, Bureau of Local Improvements, Municipal Contagious Disease Hospital, Health Commissioner's Office, House of Correction, and Department of Public Service brought the total inventory of the value of the commodities stored, together with the inventories previously mentioned, to a grand total estimated at \$1,214,581. There was no central control of these various stockrooms. Many of them had excellent means of controlling inventories through perpetual inventory systems and good stock-room accounting.

The Gary central storeroom was placed in operation in 1931 when a centralized purchasing system was inaugurated. A perpetual inventory system was immediately put into operation.

The City of Kenosha maintained one of the best storerooms from the standpoint of arrangement, cleanliness, and management that has been seen in this survey. Shortly after centralized purchasing was inaugurated in Kenosha, in 1925, the purchasing agent realized the necessity for a storeroom and took steps to establish one. For two years, however, a representative of the state auditor insisted that the city could not legally maintain

the storeroom. These objections disappeared with a change of personnel in the auditor's office. A central storeroom was immediately put into operation and has proved so successful that the state auditor now recommends that other Wisconsin cities institute similar arrangements. The Kenosha stores division stocks in excess of one thousand items of general supplies which are in more or less constant demand by the city departments. The purchasing agent of Kenosha states that he saves from 10 per cent to 75 per cent of the purchase price through buying in quantity lots and storing in anticipation of need.

Other jurisdictions than the cities in the Chicago region maintain storerooms. Notable among these are the Chicago Board of Education, the Chicago Sanitary District, the Cook County Forest Preserve District, the Lincoln Park Board, the South Park Board, and Cook County. The Illinois state institutions in the Chicago metropolitan area reveal well-ordered storerooms with uniform accounting systems imposed by the state within recent years.

As indicated in the foregoing discussion, very few governments in the Chicago region maintain a warehouse or storeroom for the housing of commodities prior to use. This follows logically from their general matériel policy, which is to purchase in small quantities as the need arises. While it is difficult to censure such a practice in the light of the prevailing financial situation, it is a decidedly wasteful procedure and should be changed with the return of more normal conditions.

Undoubtedly, a more satisfactory solution to the storage problem could be found if there were a more complete integration of the political and administrative units administering them. This observation applies with particular force to the administrative units of the City of Chicago.

Co-operative Purchasing Abroad

Throughout the discussion so far the matériel problems of various governments in the Chicago region have been studied. We now turn our attention to "co-operative" or "collective" purchasing, which means the placing of one order to meet the needs of several independent agents, or governments.

As a process, "co-operative" purchasing has been utilized by private business in the United States since the latter part of the nineteenth century. In government it has a more limited history, and its benefits have only recently been realized.

While it is true that co-operative purchasing has in practice been most frequently employed by governments which are spread over a larger area than is contained in a metropolitan region, it is not in theory confined to the former.

Co-operative purchasing arrangements among governments appear to have developed in Europe prior to their use in this country.

Co-operative purchasing in Germany has occurred in some cases when communes, one of the units of local government in Germany, have realized substantial economies by becoming members of the local consumers' co-operative, thus securing the ordinary advantages in matériel purchasing available to any member of the consumers' co-operative.

The Danish Society of Commercial Cities has co-operatively purchased coal and oil since 1915.

The Finnish Union of Cities appears to have a commercial section which purchases co-operatively such objects as pro forma statements, educational supplies, and the products of printing shops, book binderies, and carpenter shops.

The Union of Dutch Cities has purchased collectively such items as books, magazines, election supplies, municipal uniforms, shoes, office supplies, and archive equipment.

The collective purchasing of water-pipe by the central and local authorities of Bulgaria was begun in 1928, and recent information indicates plans for expanding the scope of collective purchasing.

Perhaps the most interesting and significant co-operative purchasing arrangement known is the one inaugurated by the Irish Free State Department of Local Government and Public Health in December, 1921. The objects of this system are to effect economies through collective purchasing, to insure the satisfactory quality of the matériel obtained, and to aid Irish industries.

In brief, this co-operative system operates as follows. The Irish Free State central government solicits bids for the combined requirements of all the local governments. From these bids, contracts for the ensuing six months are awarded.

The first price list of the Department of Local Government and Public Health was issued on April 4, 1922, and it contained over seventy commodities and classes of commodities. By 1925 the list had been expanded to include no less than 1,112 articles, and in 1934 it contained 2,064 items.

It was soon discovered that a standardization program was essential. Conferences to standardize commodities were held with representatives of county and district hospitals, poor law unions, industrial schools and reformatories, and county borough and urban councils meeting for this purpose. Articles of Irish manufacture were chosen in every case possible.

Perhaps the most striking instance of the economy of collective purchasing occurred in the purchase of medicines, which

been purchased prior to this time at a price ranging from list price up to a discount of 17 per cent from list. Under the co-operative purchasing scheme, medicines were purchased at a discount of 25 per cent from country prices and 28 per cent from prices in the large cities, thus permitting the smallest purchaser to enjoy the same favorable terms received by the largest. It was found that margarine purchased without specifications contained as little as 5 per cent animal fat. Under the new specifications the margarine purchased contained 80 per cent of fats, of which 50 per cent were animal fats. The prices charged for this more valuable product compared favorably with that of the relatively worthless one formerly bought.

By guaranteeing a large market it was possible to develop in Ireland the manufacture of certain articles which had been imported prior to this time.

In 1925, after discussion in the Irish Parliament, there was passed in that body a most unique act entitled, "Local Authorities (Combined Purchasing) Act, 1925." The sub-title of the act reads: "An act to make provision for the purchase of commodities by local authorities from contractors appointed officially with a view to the obtainment of such commodities by local authorities at the lowest possible price and for materials connected therewith." So far as is known, this is the only instance in which a central government has endeavored to aid local governments through a permanent co-operative purchasing scheme.

Although the act was to be in effect for but three years, it has been so satisfactory that the Irish Parliament has renewed it from year to year up to the present.

For further details the interested reader is referred to the thesis of which this is an abstract.

There seems to be no record of collective governmental purchasing being practiced in England, France, or Switzerland.

Co-operative governmental purchasing in the United States and Canada is a recent development, most of the instances of which have occurred since this study began in June, 1931. Some of the reasons for this lag and the failure to yield to the forces motivating private business may perhaps be explained as follows:

(1) The desire to reduce costs has probably not been so strong among most local governments as it has with private business, with its ruthless competition. (2) Governments have not been prone to co-operate because of the animosities of the factions and parties controlling them and an intense spirit of localism. (3) Governmental purchasing has been too frequently a device for continuing the party in power, regardless of waste, to which is linked the pressure of local merchants to "buy at home." And (4), a lack

of strong governmental associations, adequately financed, and possessing an ample staff of competent persons.

The recent remarkable growth in co-operative governmental purchasing in this country may be explained by (1) the growth of the efficiency and economy movement, plus the desirability, in view of the depression, of making every dollar yield the maximum return; (2) the improved standards of public administration and governmental purchasing generally; and (3), the growth of more powerful governmental associations. Among state leagues of municipalities, the Michigan Municipal League assumed the lead in inaugurating co-operative purchasing. At the suggestion of several city managers, it offered its services in this connection to its member cities in January, 1930. At this time, six cities pooled their requirements for fire hose into a bulk contract, and bids were solicited. The hose was bought under the Fire Underwriters' Standard Specifications so that all bidders would be competing on the same quality of material. The requirements of the six cities were found to total 5,200 feet, or nearly a mile, of fire hose. Bids were submitted by ten manufacturers, and the contract was awarded to the lowest bidder at a price of 64¢ per foot, delivered. Since then several other lots of fire hose have been purchased by the League.

In 1933, the Wisconsin League of Municipalities undertook to serve its member cities in the co-operative purchase of fire hose. These two are the only state leagues of municipalities known to have practiced co-operative purchasing.

Some state statutes provide that the state purchasing agent may purchase collectively for the local governments within the state upon their request. So far as is known, this device has never been extensively used; in fact, letters from the state purchasing agents concerned indicated such procedure was so slight as to be negligible.

The activities of various states in the purchase of supplies for educational units appear to be a greater success. As to school supplies, Delaware and North Carolina are notable, while as to textbooks the following jurisdictions are outstanding: Arizona, California, Delaware, Florida, Louisiana, Maryland, Kentucky, New Mexico, and Texas.

The Saskatchewan School Trustees' Association seems to be the oldest co-operative purchasing association among school systems. This Association, through its school supplies committee, purchases many items classified as furniture, general supplies, chemistry supplies, and books.

One of the largest school purchasing associations known is the Kansas School Purchasing Association, whose offices are located

in Sterling, Kansas. This Association was originally organized by the Kansas High School Principals' Association in 1930. The Association operated so successfully that in the spring of 1933, 150 schools in Oklahoma added their buying power to that of the Kansas schools, making a total of about 400 schools, which at present buy collectively. The schools are not forced to buy through the Association, but choose to do so because of the substantial economies involved.

A group of fourteen schools in northwestern Illinois, known as the Blackhawk School Purchasing Association, under the leadership of Mr. E. R. Stephan, Superintendent of Schools of Stockton, Illinois, has also practiced co-operative purchasing since 1930.

Another system of collective purchasing has appeared in Hennepin County, Minnesota. In 1932 nine of the eleven schools in the county purchased supplies co-operatively. The North Country School Association, composed of schools near Berlin, New Hampshire, bought school supplies co-operatively in 1932. Some counties in western states, notably in California and Colorado, have practiced co-operative school purchasing on a county-wide basis.

Of the ninety-six metropolitan areas defined by the census of 1930, there is only one which can boast of a system of co-operative purchasing. This exception is the system operated by the jurisdictions in Cincinnati and Hamilton County, Ohio.

In 1931 the City of Cincinnati, the Cincinnati School Board, and Hamilton County combined their coal purchases for a period of one year. It has been estimated that a saving of \$50,000 was made on this purchase. The University of Cincinnati entered the system, and the scope of its activity was greatly expanded. Space does not permit the giving of more details in this abstract.

From the foregoing comments it is seen that collective purchasing has sprung into being in widely scattered parts of two continents without suggestion or pressure from outside the communities in which it developed. This is perhaps as good a demonstration of its logic and soundness as could be desired. With more adequate appreciation of its success it seems only natural that this new development will be more widely availed of in the future.

The foregoing pages have dealt with the present status of the matériel problem in the Chicago region. It was pointed out that over 1,600 governments supplied various services for a community of about 5,000,000 persons. Many of these governments had several offices dealing with the matériel problem. On the basis of a field study it was estimated that there were over 2,700 such offices in the Chicago region. Most of these offices faced their problems without regard to economies to be derived from a united attack upon the problem, and very often with but scant attention paid to tried and accepted techniques which have proved workable and economical in other jurisdictions.

The practice of co-operative governmental purchasing has been briefly surveyed. It has been shown that many governments in this country, as well as abroad, have made a conspicuous success of co-operative purchasing, considered either from the standpoint of the quality of the matériel obtained or from the economy point of view. We come now to the capstone of the present study, namely, suggestions for an improved solution of the matériel problem in the Chicago region.

The first point of attack is at home. There is a vast field for improvement within almost every government in the Chicago region. The staunchest opponents of centralized purchasing would be hard put to justify the amazing disintegration of this function within nearly all the governments of the region. If one considers school purchasing, there is, so far as the writer knows, no completely integrated handling of the matériel problem in any jurisdiction within the region. If one omits the matériel problems of schools from consideration there are probably not more than five instances of an integrated attack on the purchasing problem.

Much, if indeed not most, of the present situation is attributable to an indifference toward the existing phases and an unawareness of the larger implications of the matériel problem. The attitude of many officials is that governmental purchasing differs little, if any, from the average housewife's purchasing problem. To them, the work of a purchasing officer is merely to place orders. Indeed, one official candidly stated that he considered his chief function was to spend money.

In the case of a few large jurisdictions, typified by Chicago, the failure to secure centralized purchasing is due, not to ignorance, but to a combination of factors, chief among which is personal jealousy, probably fortified by the pressure of unscrupulous business men.

It can be said, therefore, that the lack of an integrated governmental structure to deal with the matériel problem is due, in large part, to a failure to "sell" its advantages.

Without structural integration it is difficult to secure the advantages implicit in modern operational techniques, for they are based on a high degree of centralization. Given a fair measure of centralization, however, the way is clear to apply improved techniques. There can be planning and budgeting to meet matériel needs considered as a whole. The desirability of an adequate system of records makes itself felt, and the necessity for stricter accounting is seen. The unbusinesslike and wasteful practice of purchase without the use of specification and the acceptance of matériel without inspection and test become apparent.

With centralization comes the possibility of securing as purchasing agent a man of sufficient intelligence and ability, if not experience, to develop the techniques required to meet satisfactorily the many challenging aspects of the matériel problem of a particular jurisdiction.

Enough samples of the low standard of operational technique and the wasteful practice of small quantity buying by the governments of the Chicago region have been cited in earlier sections to make it unnecessary to labor the point here. This situation should challenge both official and citizen in virtually every jurisdiction in the region.

The second point of attack is on the present dispersion of purchasing power among 1,600 governments. It is obviously wasteful for all these governments to compete with one another, to duplicate each others' services, and for the smaller governments to buy at retail while the better managed large governments reap the savings of large quantity buying. The improvement of this situation may be dealt with under two heads, structure and technique.

Previous studies in the government of the Chicago metropolitan region have concerned themselves to some extent with the limits of the ideal administrative area in the region. These administrative areas have not always been co-terminous. The ideal administrative area for the treatment of the matériel problem is sufficiently flexible so that it can doubtless include the largest functional areas in the Chicago region. The optimum area for a treatment of the matériel problem involves chiefly the maximum purchasing power consistent with ease of communication and transportation. As has been pointed out earlier, at least 90 per cent of the governmental purchasing power of the Chicago region, excluding that of the state governments, is to be found in the governments within Cook County, Illinois. In considering an improved

administrative structure for a treatment of the matériel problem in the Chicago region this fact should not be overlooked.

Nor should consideration of technique be ignored. Thus, with regard to purchasing itself, for instance, some types of structure are better adapted to purchase under definite quantity contracts than are others. Under a definite quantity contract a fixed quantity of any given commodity is purchased and either delivered as required, or sent immediately to the government warehouse. Under an indefinite quantity contract, however, the estimated needs of one government or of several governments are made the basis of the contract. The vendor may, in the course of the period covered by the contract, sell more or less than the estimate on which the contract price was based. While this latter type of contract has many advantages, students of purchasing are generally agreed that a lower unit price is secured on a definite quantity contract. From the standpoint of purchasing, then, possible reorganization of the governmental structure of the Chicago region should be viewed with reference to the techniques that may be utilized.

There are a number of possible variations in administrative structure available. They may be listed briefly as follows:

1. Independent statehood for the Chicago region.--It has been suggested upon several occasions that the Chicago region be reorganized politically to constitute a new state in the federal union. In many ways this would be the best solution of the problem of governmental structure for the Chicago region. Perhaps the chief advantage so far as the matériel problem is concerned would arise from the completely pooled purchasing power and integrated administrative control possible under such an arrangement. Control would then be supported by legal and administrative sanctions not possible under a purely co-operative system. The success of the latter is jeopardized to a much greater degree than is the former by the caprice of politics and the potential misunderstandings to which man is heir. The relationships of a co-operative undertaking are fragile and easily broken. With integrated administrative control it is possible to anticipate the needs of this single government by purchasing certain commodities on a definite quantity contract with the assurance that no part of the government will, wilfully and without cause, refuse to accept its quota of the goods purchased.

Another advantage is that the complete integration of governmental structure in the Chicago region would make possible a more efficient storage system for the region by decreasing the present number of warehouses and locating the remainder with greater regard to the services to be rendered. Moreover, such a

reorganization offers the large economies incident to decreased overhead costs for other services, as well as those related to the matériel problem, without any change in the existing physical plant. With but one government to which to look for information, it would be much easier to turn the spotlight of publicity on the government's attempt to solve the matériel problem than it is at present with some 1,600 jurisdictions to watch. With the state of Chicago on a parity with the other states in the union it could make its own laws on purchasing to meet conditions of urban life on a grand scale. Finally, a state of Chicago could well afford to pay attractive salaries and, by the challenging nature and size of the matériel problem, draw superior men to staff key positions.

2. Welding of the independent jurisdictions of the Chicago area into one unit or a few corporate units.--This process has been going on in the Chicago region for some time through the policy of annexation and, more recently, consolidation. Progress in this direction, however, has been very slow to date. Much remains to be done. Many of the jurisdictions in the region, notably the townships, have outlived the reasons for their existence. Students of government are generally agreed that they might well be abolished and their functions transferred to units of government better able to administer them. Other jurisdictions, such as school districts and park boards, might in many cases be consolidated and integrated with the existing city or county governments. With what logic can one defend, for example, separate governmental structures for city of Chicago parks, Chicago Park Board parks, and the Forest Preserves; or city of Chicago hospitals, the Municipal Tuberculosis Sanitarium, and the county hospitals? Even partial integration of the governments of the region, as suggested above, would tend to a better solution of the matériel problem, for most of the arguments advanced in favor of independent statehood apply here with less force to the extent that the integration is incomplete. The chief difference with regard to matériel between this possibility and statehood for Chicago is a legal one, namely, that such corporate units would still be subject to the legislation of their respective states in the Chicago region.

3. Co-operative purchasing through a state office.--The city of Chicago has purchased toxin-antitoxin on the contract of the state of Illinois, and some Illinois counties have purchased cement on state specifications. In each case, considerations of quality and economy overcame local isolation. This raises the question; why is this practice so limited? In the present case the answer is doubtless because no effort has been made to build a few isolated instances into a permanent pattern of action. Such

an arrangement would be feasible and highly desirable from the standpoint of the local taxpayer. Unfortunately, this device does not appear to have been a success in those states where it has been tried. Its failure seems to have been due to a lack of cooperation on the part of the localities, occasioned by a policy of patronizing home industries and a distrust of the state government. It must be remembered that this plan has not been given an extended trial in either Illinois or Indiana. The employment by the localities of the state purchasing organization, to the extent it has occurred, is not the result of a formally organized policy. The use so far consists of a few isolated instances which indicate that recognition of the advantages of such an arrangement occurred to several individuals independently. The plan seems to have large potentialities which justify its being given more than an occasional trial in the Chicago region. It would not be necessary to apply such a plan to all the commodities used by one government or several governments. Those commodities peculiarly adapted to such purchase are those which the state buys in large quantities, thereby lending the state's large purchasing power to that of local government. Such commodities are those acquired for the three chief state functions, highways, institutions, and schools, all of which are also local government functions. It is significant that the commodities local governments in the region have bought on state contract are cement and toxin-antitoxin. The technical problems are not large if the state purchases on an indefinite quantity contract. It is then only necessary to word the contract in such a way that the municipalities can order goods at the price secured by the state. If the contract is for a definite quantity, the state officials will doubtless need to be assured of the intention and ability of the municipalities to buy from the commonwealth that portion of the goods by which the normal state contract has been augmented.

4. Purchase on federal government contract.--It has been noted that practically all of the commodities used by the federal government offices located in and near the District of Columbia and some of those used by the field agencies are secured on the basis of a contract for a definite period of time. These commodities and their prices are listed in the General Schedule of Supplies, published annually by the United States Government Printing Office.

A better solution to the purchasing problem of the governments in the Chicago region would doubtless be obtained if these governments could order from the General Schedule of Supplies in the same manner as a federal official. Not only would prices, in most cases, be less than those paid by local governments, but added protection would be given through the fact that these commodities are purchased under excellent specifications.

Such a procedure, on the part of local purchasing agents, is not now legally possible owing to the nature of the contracts between the vendors and the United States Government. Some semi-public bodies, and probably some local governments also, do purchase as suggested above, but the recognition of their orders by the vendors is purely an accommodation on their part and not based on a legal agreement. The extent of this practice is not known.

With sufficient demand on the part of localities, however, it would doubtless be possible to have the federal government's purchasing procedure changed so that the selected vendor would be legally bound to recognize the orders of those local governments which cared to place orders with them. It would seem that vendors would welcome such an addition to their volume of business. Doubtless suitable provision would have to be made for transportation costs, which would vary with the location of the local government in question. The vendor would also need to be assured that the local governments which availed themselves of such an arrangement would meet their bills at least as promptly as the federal government.

While this possibility offers a great deal, it does not cover the field of government purchasing completely. Many of the commodities consumed by local government are not listed in the General Schedule of Supplies, and these might well be bought through some other arrangement, such as the ones next to be described.

5. Co-operative purchasing through the state municipal league.--The municipal leagues of Michigan and Wisconsin, under the stimulus of the city managers of these states, have made a conspicuous success of the co-operative purchasing of fire hose for their members. This quite naturally suggests that this device would be feasible and desirable in the Chicago region.

The Illinois Municipal League has not entered this new field of activity. The desirability of this new function was brought to the attention of its governing board some years ago and it was then decided that co-operative purchasing was outside the scope of the Illinois League. This conclusion was buttressed by the policy of patronizing home industry, to which a great deal of weight is attached in this state. Such a policy does not necessarily prevent co-operative purchasing entirely. Many of the commodities used by local governments are not manufactured locally and some are not sold locally. An illustration of the first class of commodities is the electric lamp, and an example of the second class is police uniforms. Even if one is convinced by the argument to support home industry there still remains a large field of action for co-operative purchasing.

The benefits of co-operative purchasing in Illinois would come largely through the purchasing power of the governments in Cook County. As far as the Chicago region is concerned, the benefits accruing from a program of co-operative purchasing by the Illinois Municipal League could nearly all be realized by the co-operative purchasing of the governments of Cook County, for that is where the purchasing power lies.

The state leagues of municipalities are not yet in a position to carry on co-operative purchasing on a very large scale. Their budgets are ordinarily quite limited, and their full attention is now demanded by other functions which they were organized to perform, such as representing their member cities before the state legislatures and serving as clearing houses of information for their members.

The success attending co-operative purchasing by the league of municipalities of various European countries suggests that the American Municipal Association, as the secretariat of the various state leagues of municipalities in the United States, might take the leadership in such a movement for the cities in this country.

6. Some form of co-operative effort among the governments of the Chicago region.--If the experience of other jurisdictions in this country and abroad is significant, an improved solution to the matériel problem of the Chicago region may well emerge from some sort of informal co-operative effort. It is not necessary for all of the governments in the region to co-operate, nor is a change in the statutes, constitution, or charters required. All that is needed is the will to act.

The gamut of technical possibilities is large. The jurisdictions which desired to act in co-operation might organize and maintain a permanent secretariat to deal with all phases of the matériel problem. This has been done, so far as purchasing is concerned, by the school districts of Kansas and Oklahoma, and the leagues and unions of cities in the instances described in Chapters VII and VIII.¹ Other associations, such as the Blackhawk School Purchasing Association or that which has functioned so successfully in the Cincinnati region, operate largely without added personnel. The group might contain as few members as that of Hennepin County, Minnesota, or as many as that of the Irish Free State. It may purchase from one commodity, as was done by

¹ Reference is here made to the complete dissertation, which is to be found in the University of Chicago Libraries.

the Michigan and Wisconsin Municipal Leagues, to the large number listed by the Department of Local Government and Public Health of the Irish Free State or the Saskatchewan School Trustees' Association.

Under such an informal arrangement as co-operative purchasing, definite quantity contracts are more difficult to make than in the case of one corporate unit. To use such contracts the need for the given commodity must be felt by the several governments at the same time, and all must be able and willing to buy. Each government would then have to negotiate a contract with the vendor, for it would be decidedly risky for one government to place a contract for the needs of all on the expectation that the others would buy from it. The hazards of pooled purchasing with definite quantity contracts are well illustrated in the case of private business by instances in which the purchaser for the pool has been left "holding the bag."

The experience of American governments with co-operative purchasing to date has been largely with indefinite quantity contracts, which are well adapted to this purpose. They have numerous advantages. Although prices are not so favorable as in the case of definite quantity contracts, they are decidedly better than those obtaining under a disintegrated condition. There is the further advantage that, after the preliminary negotiations are completed, any government in the co-operative system can order from the vendor without the necessity for an intermediary or broker within the association.

A third advantage is that price lists can be made up for a large number of commodities in anticipation of need. Thus, when the need arises and there is pressure for a quick delivery it is not necessary to enter contract negotiations in association with other governments. Nor is it necessary for all the governments in such an association to enter the pool for every commodity. If there is a product produced locally that some one government wants to buy, it need not co-operate with the rest with regard to that one commodity. The system is sufficiently flexible to permit its adjustment to the policies of individual members.

Co-operative governmental purchasing is peculiarly attractive to the smaller governments, for they secure the economies resulting from the great purchasing power of the larger governments. Many firms who would not be interested in bidding on their small orders are interested in the pooled requirements of all. The standard specifications, market information, and trained personnel which are more likely to be found in the large governments are available to those who, because of their size and lack of funds, are handicapped in this respect.

Which of the foregoing possibilities for an improved solution to the matériel problem lends itself best to the present situation in the Chicago metropolitan region?

Probably the two best alternatives are independent statehood for the Chicago region, or the welding of the independent jurisdictions of the Chicago area into one corporate unit or a few such units. If the corporate units are few and large enough, there appears to be little advantage in favor of either alternative, with such advantage as there is resting with the possibility of independent statehood, because of the complete integration promised and the implied law-making power of the proposed state. Each of these alternatives has serious disadvantages arising from the extreme difficulty of their attainment. A strong attachment to home rule and localism prevents large scale consolidations, and the location of the Chicago region within at least two states doubles the difficulties inherent in organizing a new state from a portion of one already in the federal union. Both alternatives are scarcely possible of attainment in the near future, however attractive they may be as potential solutions to the problem.

Co-operative purchasing through a state office has much to recommend it in theory from the standpoint of purchasing alone. It does not offer much toward a solution of other phases of the matériel problem, however. A powerful, though not necessarily a conclusive, argument against the adoption of this possibility is its apparent failure elsewhere in the United States.

Purchase on federal government contract has the same theoretical drawback that applies to purchasing through a state office; namely, it does not particularly aid in the attack on other phases of the matériel problem. It does have the decided advantage of larger purchasing power than would otherwise be possible. This merit is so significant that it suggests the combination of this possibility with some other arrangement which offers a broader approach to the problem.

At the present time co-operative purchasing through the state municipal league could solve but a small portion of the problem. The Illinois Municipal League is apparently not receptive to such a rôle, and, if it were, its staff and finances would need to be considerably enlarged to care for this function adequately. Given the requisite interest, funds and personnel, a state municipal league could doubtless give a good account of itself in connection with other phases of the matériel problem in addition to purchasing.

Doubtless the best possibility for the present situation is some sort of co-operative endeavor on the part of some, or all, of the governments of the Chicago region. It has the great merit

of requiring no change in the legal situation. It can be practiced by any two or more governments. Its flexibility is an argument for its adaptability to the varying size and nature of the matériel problem. Because its machinery is so flexible it enables growth to take place, the evolution which is the strength of so many governmental institutions. It can cover the purchase of one commodity or many commodities, and its answer to other phases of the matériel problem will spring from the peculiar conditions of the immediate situation.

We conclude, therefore, that the most inclusive practical solution to the governmental matériel problem of the Chicago region lies in some sort of co-operative effort among those governments themselves.

The advantages of pooled purchasing should not obscure the merits of a collective attack on other aspects of the problem of matériel. A co-operative group may well act as a clearing house for information on goods that may be obtained free of charge, such as cinders, crushed rock, sand, and other commodities. A co-operative use of storehouses by adjacent or overlapping jurisdictions immediately suggests economy of operation. Why, for example, should the city of Chicago and Cook County maintain separate storehouses for office supplies in the same building? No confusion should arise with proper storage facilities, adequate accounting records, and competent personnel. The exchange of information regarding matériel no longer valuable to one government, but which may be of use to another, would be a valuable function for such a group. As the work progressed a broad research activity by its members or secretariat should keep pace with it.

A co-operative and integrated attack on the matériel problem of the Chicago region should tend toward the improvement of the personnel concerned with the problem. Once governmental purchasing is lifted from the plane of spoils politics to the level of public service a better official may be expected to appear. At present few able and reputable purchasing agents are interested in securing a position with any government in the Chicago region. The outstanding reason for so few official reports on governmental purchasing in the region is that the story to be told is so pitifully poor as to disgrace the official over whose name the report appears.

With the challenge to administrative and technical ability made by the larger problem suggested, and the better salary that a more responsible and important office connotes, it would be strange indeed if leaders in the field would not be anxious to head a movement of such outstanding potentialities. Such an official would be proud to report on the achievements of his office, an action with

few precedents among purchasing officials in the Chicago region at present.

In the foregoing outline of arrangements for co-operative purchasing lies the possibility of improved government at reduced cost for the jurisdictions within the Chicago metropolitan area. Much can be done to improve the purchasing technique of most of the smaller jurisdictions studied. Such improvement lies with the government involved. What other governments have done can be done by the jurisdictions in the region. The situation is challenging and it requires but the will to act.

